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SUBJECT: BELARUS WEEKLY POL/ECON REPORT - SEPTEMBER 25, 2009

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¶1. The following are brief items of interest compiled by
Embassy Minsk.

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Civil Society

¶2. New Life Church Still Facing Eviction, Receives Support from Visiting DRL Officer

On October 7, the Minsk City Economic Court will commence hearings on an eviction lawsuit filed by local district housing maintenance authorities against the community of the New Life Church (NLC). In their five-year-long dispute with the authorities, the parishioners continue to deny GOB officials access to their premises and refuse to vacate their building due to insufficient compensation offered to the NLC for building a new temple and wide-spread bans to lease other facilities available in Minsk for organizing their religious services. The NLC has repeatedly dismissed as "illegal" all charges and

speculations that the community violated procedures for reconstructing its church building and holding the land plot despite the Minsk City authorities' plans to use it for the construction of a school. The lawyer of the NLC, Sergey Lukanin, told the judge that the community had approached the UN Human Rights Committee for support on September 9 and requested the judge to postpone the hearings until the community received a response from the Committee. On a separate account, various independent news agencies carried reports on State Department DRL Officer Daniel Nadel's visit with the NLC on September 21 during his six-day stay in Belarus. Lukanin and NLC's senior pastors briefed and updated Nadel on the current situation with the NLC, and Nadel assured the church leaders that the USG will closely monitor the NLC case until the GOB stopped their harassment against the NLC and violating the community's rights and religious freedoms.

13. "European Belarus" Activists Detained, Fined

A Minsk District Court fined on September 22 "European Belarus" civil campaign activist Maksim Vinyarskiy \$375 for his participation in an unauthorized demonstration. Police dispersed a protest staged by ten campaign members in central Minsk on September 21 to show solidarity with imprisoned Volkovysk activists Nikolay Avtukhovich and Vladimir Osipenko and Malady Front activist Artyom Dubskiy. Vinyarskiy, detained overnight, was apprehended along with his associate Evgeniy Afnagel who was released with no charges.

14. GOB Continues to Enforce Politically Motivated Military Conscriptions

Two Malady Front activists, Gomel-based Andrey Tenyuta and Brest-based Evgeniy Skrebets, were summoned for military enlistment on September 25 and September 21, respectively. Both have condemned their forced army conscription as "illegal" and "politically motivated." Tenyuta's recruitment had been

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deferred for the period of his studies; however, he was expelled from a school in Russia in June 2009. The activists were enlisted despite being earlier declared "unfit" for army services due to some severe health conditions, including scoliosis. Tenyuta will be serving in a transport troop unit in the Gomel Region, and Skrebets was drafted to a railroad army detachment near Mogilyov.

15. GOB Drops Criminal Charges Against Volkovysk Activist Yuriy Leonov

On September 24, Volkovysk activist Yuriy Leonov, who was released from pretrial holding facilities on August 8, received official notification that the Interior Ministry closed the criminal case against him on charges of deliberate destruction or damage of property and arson. Leonov argued that the GOB thereby admitted that the charges were "groundless," absurd, and far-fetched and called for open court hearings against his jailed associates Nikolay Avtukhovich and Vladimir Osipenko. In addition, Avtukhovich is facing terrorism charges. The investigation into that is reportedly ongoing, and no date for court hearings has been yet announced.

Economy

16. Belarus' Through-July Commodity Trade Down 40 Percent Year-on-Year

According to the data of the state news agency Belta aired on September 22, Belarus' commodity trade reached \$26.33 billion in January-July 2009 or 60 percent of the trade in the same period for 2008. Belarus' exports amounted to \$11.022 billion or 53.9 percent and imports - to \$15.308 billion or 65.1 percent, respectively, and the trade deficit continues to grow.

17. Both Net and Gross Foreign Assets on Decline Though August

A source in the National Bank (NB) told Prime-TASS news agency September 21 that, according to the preliminary data, as of September 1, the NB and the GOB's net foreign assets totaled \$2.87 billion, which is 10.2% less than this past January. Gross foreign assets dropped through August 9.1% down to \$3.3 billion.

18. Widening Current-Account Deficit Increases External Risks and Liquidity Pressure

According to data of the IHS Global Insight organization posted on September 22, the Belarus National Bank's (NB) report on balance of payments showed continued rapid widening of the Belarusian current-account deficit. In Q2 of 2009, the shortfall deepened by 89% year-on-year; however, the pace of the widening moderated from the Q1 when the deficit had nearly quadrupled, and quarter-on-quarter development demonstrated a narrowing of 5%. Despite the latter, the current account deficit of approximately \$3.7 billion, or 18% of the GDP in the first half of 2009 (vs. \$1.4 billion in the first half of 2008) poses a major source of external risk and considerable liquidity pressures for Belarus. In Q2 2009, foreign direct investment inflow covered only 10% of the current account deficit compared to almost 50% in Q1 and nearly 30% in Q2 of 2008.

19. GOB Drafted Pessimistic and Optimistic Scenarios of Belarus' Development in 2010

According to the GOB press service, answering questions of reporters on September 23, PM Syarhey Sidorski explained that the GOB has elaborated a draft of the socioeconomic development forecast for 2010 based on two scenarios. First the "Balanced" scenario provides for a 2-3 percent growth year-on-year, and the second, "Optimistic", envisages a 10-11 percent projected growth. He expressed GOB's hopes for Belarus expanding its exports amidst optimistic reports from Russia, Belarus' major export market, and the U.S. that the global recession is over as well as growing demand for Belarus-made products in such new markets as African and Asian countries.

10. GOB Expects a Burst of Investment Activities Later This Year

According to media reports, Director of Belarus' National Investment Agency, Viktor Kovalenko, told reporters September 18 that the GOB expects a burst of activity of foreign investors in Belarus later this year. At the moment, the situation is very quiet as everybody is waiting for Lukashenka's decrees and edicts, giving more benefits to investors, to come into effect. Currently, the GOB is allegedly negotiating large investments with five foreign financial groups, which plan to invest in Belarus. Mr. Kovalenko also announced that Minsk will host a Belarusian Investment Forum, November 12-13.

11. More Liberalization Edicts in the Pipeline

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A representative of the Ministry of Economy told reporters September 22 that six presidential edicts, when signed, would reduce customs formalities and tax burden on small businesses. Also there would be weekly discussions to identify ways to support small businesses which sell Belarusian-made products inside and outside the country. The goal is to increase the small businesses' share of such sales from its current 1-3 percent of the market to 30-40 percent by the end of the year.

12. Average Salary in August \$ 367.8

The National Statistics Committee announced September 23 that the average before-tax monthly salary in Belarus reached about \$350 in January-August 2009, up 0.8% to \$367.8 alone in August. Workers in the construction sector were reportedly receiving the highest salaries.

¶13. Joint Military Exercise Continues in Belarus

The Zapad-2009 (West-2009) joint Russian-Belarusian military exercise, which started in Belarus September 18, entered its final stage September 23 and will last until September 29. According to the simulated scenario, a conflict broke out in Belarus and Russia came to its ally's help. The troops involved will practice repelling air strikes and will streamline the management of military units. The exercise will be supported by Belarus' Interior, Emergency Situations, Health, and Transport ministries, KGB and the State Border Committee. The Obuz-Lesnovski training ground in the Brest region is the main venue of the exercise, the active stage which will take place on September 29. A separate exercise will take place at a training ground near the city of Borisov, Minsk region, September 27 and ¶28. Its scenario has been drawn up by the Russian Armed Forces' General Staff and is not connected with Zapad-2009.

Quote of the Week

¶14. Speaking at the "Dazhinky" festival in the city of Kobryn (Brest region) September 19, Lukashenka said:

"the level of budget expenditures on social needs that we had this year - more than 60 percent - we will definitely preserve in order to support people in this difficult time."
MILLER